



annual report • 1959

**NORTH
CANADIAN
OILS
LIMITED**

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Western Pulp and Power Limited.*



TWELFTH ANNUAL REPORT

NORTH CANADIAN OILS LIMITED

officers

FRANK E. RUBEN *President and Managing Director*
 PERCIVAL J. TIMMS *Vice-President*
 ROBERT F. RUBEN *Vice-President*
 FRANK C. FINN *Secretary-Treasurer*

directors

FRANK C. FINN *Calgary, Alberta*
 H. B. GRIFFITH *Montreal, Quebec*
 C. P. HOTCHKISS *Toronto, Ontario*
 DONALD G. ROSS *Toronto, Ontario*
 FRANK E. RUBEN *Calgary, Alberta*
 ROBERT F. RUBEN *Calgary, Alberta*
 PERCIVAL J. TIMMS *Calgary, Alberta*

capital

7,500,000 COMMON SHARES HAVING A PAR VALUE OF TWENTY-FIVE CENTS PER SHARE
 ISSUED: 5,182,945 SHARES PLUS 242,475 SHARE PURCHASE WARRANTS
 70,000 PREFERRED SHARES HAVING PAR VALUE OF \$50.00 PER SHARE
 ISSUED 70,000 SHARES

common share registrars

PRUDENTIAL TRUST COMPANY LIMITED *Calgary, Alberta*
 REGISTRAR AND TRANSFER COMPANY *Jersey City, New Jersey, U.S.A.*

common share transfer agents

PRUDENTIAL TRUST COMPANY LIMITED *Calgary and Toronto*
 REGISTRAR AND TRANSFER COMPANY *Jersey City, New Jersey, U.S.A.*

preferred share registrar and transfer agents

PRUDENTIAL TRUST COMPANY LIMITED *Calgary and Toronto*

common shares listed

TORONTO STOCK EXCHANGE AND AMERICAN STOCK EXCHANGE

share warrants listed

TORONTO STOCK EXCHANGE *Toronto*

preferred shares listed

TORONTO STOCK EXCHANGE *Toronto*

auditors

ROSS, NEWBORN & CO. *Calgary, Alberta*

head office

640 SEVENTH AVENUE SOUTHWEST *Calgary, Alberta*

TO THE SHAREHOLDERS

The Directors of your Company take pleasure in submitting this Annual Report for the 1958 fiscal year.

As indicated by the enclosed Financial Statements we feel that continued progress has been made by the Company in what has been a difficult year for many segments of industry. In nearly every instance the Company's monthly revenue during the past year exceeded that of the corresponding month of the previous year. The total revenue for the year of \$1,800,134.00 represents an increase of 10%. The Company's net profit of \$318,967.58 represents an increase of 56% over the previous year.

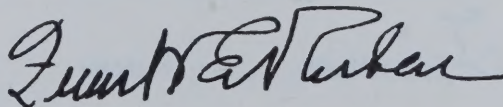
North Western Pulp & Power Ltd., in which we share ownership with St. Regis Paper Company (Canada) Limited, is continuing to show improvement in its operation. On this subject we wish to quote from a joint statement made by Mr. Roy K. Ferguson, Chairman of the Board, and Mr. William R. Adams, President, of the St. Regis Paper Company, to their stockholders on April 10, 1959. With particular reference to North Western Pulp & Power Ltd., which is managed by St. Regis Paper Company (Canada) Limited, they stated. "The bleached sulphate pulp mill at Hinton, Alberta, owned by North Western Pulp & Power Ltd., in which St. Regis has a half interest, improved operations in 1958. The production on occasion exceeded the rated capacity of 430 tons; the mill's rated capacity could be considered as 500 tons per day." In commenting on the general outlook of the pulp and paper industry they continued, "The long term uptrend in the pulp industry is basic. Since the turn of the century United States' production of paper and its products has risen sharply in this area. Actual United States per capita consumption of paper and paperboard has increased from 50 to 400 pounds. Since consumption has increased much faster than the American population a steady growth and demand for paper and paperboard is expected to continue." This optimistic forecast for the industry is of particular significance to North Western inasmuch as the bulk of its production is exported to the United States.

The oversupply situation continued to exist for Western Canadian crude oil during the past year. We did not participate directly in any drilling program during the period but were instrumental in having a 7,000 ft. test drilled adjacent to the Company's Twin Dome acreage. Unfortunately this venture proved to be a dry hole. The coming year appears considerably brighter for the Canadian petroleum industry, particularly in the field of gas development and export. Provincial authority for the export of natural gas from Alberta to the United States has been granted and from recent information it appears that Canadian and United States government approvals will be shortly forthcoming. In anticipation of this, North Canadian Oils is actively negotiating for the acquisition of the development rights to a large acreage in a semi-proven gas field in the export area within economic reach of our existing pipeline. It is believed that before the end of the current year substantial gas reserves will be developed in this area and with the commencement of gas export to California and the Pacific North West an appreciable increase in the Company's income will be realized. Furthermore, the development of a field in this area will result in the Company's pipeline being tied to an additional source of supply and one in which it is anticipated North Canadian Oils will own an appreciable interest.

At the present time the Company's pipeline operations continue to be our major source of revenue. The construction of a 47-mile extension to our line from Hinton to Jasper National Park was commenced during the past winter by Northland Utilities Limited and is scheduled to be completed on September 1st of this year. We have contracted with Northland Utilities to supply them with all of the gas which they will require to service the Jasper area through this extension. This is a highly desirable contract from the Company's point of view as it is a well balanced load due to the tourist industry of Jasper National Park keeping the summer requirements at a higher than average level. In addition to having the gas franchise, Northland Utilities also has the franchise for the distribution of power at Jasper and will operate their power generating units on natural gas.

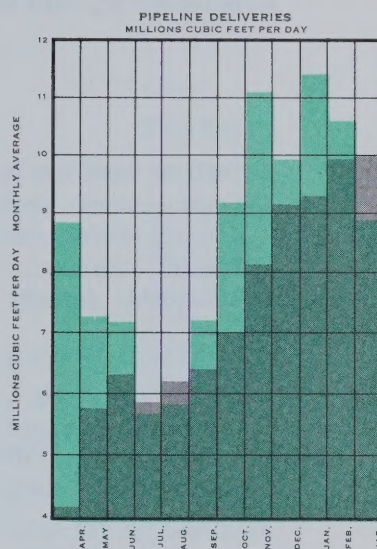
As in the past much of the success of this Company was due to the efforts, loyalty and devotion to duty of the entire staff of employees. We wish to thank them for their efforts on behalf of the Company.

Respectfully submitted on behalf of the Board,



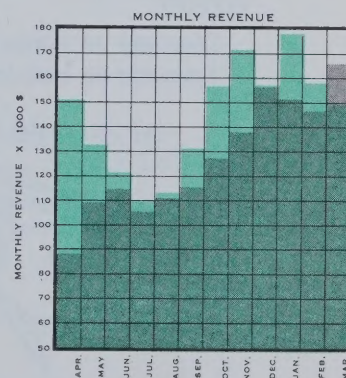
President.

Calgary, Alberta.
June 19, 1959.



LEGEND

YEAR ENDED
 March 31, 1959
 March 31, 1958



NORTH CANADIAN OILS LIMITED

Calgary, Alberta

ASSETS

CURRENT

Cash on hand and in bank	\$	385,868.71
Trade accounts receivable		151,143.19
Accrued interest receivable re 5% debentures		92,465.75
Prepaid expense		7,269.17
Refundable deposits		5,885.00
	\$	<u>642,631.82</u>

INVESTMENTS AT COST

\$4,500,000.00 5% subordinate debentures of North Western Pulp and Power Ltd. due November 1, 1966	\$4,500,000.00	
Shares of other companies (Note 1)	<u>6,390,958.97</u>	10,890,958.97

ADVANCES TO AND INVESTMENT IN

WHOLLY OWNED SUBSIDIARY (Note 2)		1,671,574.16
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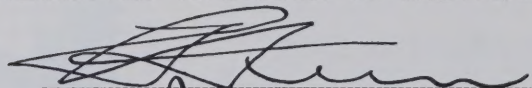
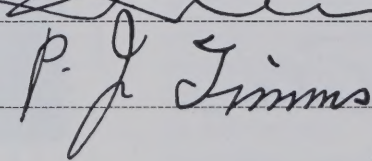
FIXED AT COST

Real Estate	\$	78,983.11
Office building	\$	678,089.02
Less accumulated depreciation		68,645.39
		<u>609,443.63</u>
Equities in leases and reservations	\$	295,454.67
Development		352,661.03
	\$	<u>648,115.70</u>
Less amount amortized		213,266.97
		<u>434,848.73</u>
Machinery and equipment	\$	218,909.02
Less accumulated depreciation		184,302.11
		<u>34,606.91</u>
Pipeline and equipment		<u>\$4,206,234.10</u>
Less accumulated depreciation		<u>455,613.49</u>
	<u>3,750,620.61</u>	<u>4,908,502.99</u>

OTHER

Discount on bonds less amount amortized	\$	425,382.15
Premium on loan less amount amortized		<u>83,748.24</u>
		509,130.39

APPROVED ON BEHALF OF THE BOARD

, Director
, Director

\$18,622,798.33

The notes attached hereto applicable to the

Auditor

To the Shareholders NORTH CANADIAN OILS LIMITED:

We have examined the balance sheet of North Canadian Oils Limited as at March 31, 1959 and the related statements of capital surplus, deficit and operations for the year ended on that date, and have received all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards and included a general review of accounting procedures and tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The loss sustained by Bryan Mountain Coal Company Limited, a wholly owned subsidiary, for the year ended March 31, 1959 in the amount of \$61,378.39 (exclusive of depreciation and development amortization) has not been provided for in the accounts of the parent company.

BALANCE SHEET as at March 31, 1959

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Trade accounts payable	\$ 39,559.04
Accrued interest	59,368.76
Deferred liabilities — current portion	155,000.00
Mortgage payable — office building — current portion	20,000.00
	<u>\$ 273,927.80</u>

DEFERRED LIABILITIES — SECURED (Note 3)	1,266,000.00
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FUNDED INDEBTEDNESS (Note 4)

\$3,500,000.00 — 5% general mortgage sinking fund bonds to mature June 1, 1975	\$3,500,000.00
\$4,000,000.00 — 4½% first mortgage sinking fund bonds to mature April 1, 1975	4,000,000.00
Mortgage payable — office building	\$360,000.00
Less amount due within one year	<u>20,000.00</u>
	<u>340,000.00</u>
	7,840,000.00

CAPITAL AND SURPLUS

Capital (Note 5)

Authorized

70,000 — 5½% cumulative redeemable
preferred shares par value \$50.00
per share

7,500,000 common shares par value \$.25 per share

Issued and fully paid

70,000 preferred shares	\$3,500,000.00
5,182,945 common shares	<u>1,295,736.25</u>
	\$4,795,736.25

Capital surplus (Exhibit 1)	\$5,223,108.01
Deficit (Exhibit 1)	<u>775,973.73</u>
	<u>4,447,134.28</u>
	9,242,870.53

\$18,622,798.33

ove statement are an integral part thereof.

Report

Subject to the foregoing and the notes attached hereto, the accompanying balance sheet and related statements of capital surplus, deficit and operations are, in our opinion, properly drawn up so as to present fairly the state of the affairs of the company as at March 31, 1959 and of the results of its operations for the year then ended according to the best of our information and the explanations given to us and as shown by the books of the company.

ALGARY, Alberta
May 13, 1959

ROSS, NEWBORN & CO.,
Chartered Accountants.

STATEMENT OF OPERATIONS

for the year ended March 31, 1959

Revenue

Proceeds from sale of gas and oil	\$1,504,278.49
Interest earned on 5% debentures	225,000.00
Administration, rental and miscellaneous income	70,855.51
	<u>\$1,800,134.00</u>

Operating expenses, including cost of gas purchased	463,146.45
	<u>\$1,336,987.55</u>

Administrative and general expense

Management and office salaries	\$ 71,774.24	
Toronto office expense	4,800.93	
Travel	9,171.89	
Professional services	11,266.83	
Advertising and public relations	5,115.26	
Bond trustees and transfer agents fees	11,065.68	
Office operations	17,730.95	
Building operations	25,492.23	
General	15,127.44	171,545.45
		<u>171,545.45</u>

Profit before providing for the following	\$1,165,442.10
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Financial expense		
Interest	\$454,798.40	
Amortization of financing costs	64,562.58	\$519,360.98
Provision for depreciation and development amortization		
Provision for depreciation	\$259,544.80	
Development amortization	28,226.19	287,770.99
		<u>807,131.97</u>

Operating profit for the year	\$ 358,310.13
Less loss on sale and abandonment of fixed assets	39,342.55

Profit for the year	<u>\$ 318,967.58</u>
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The notes attached hereto applicable to the above statement are an integral part thereof.

STATEMENT OF CAPITAL SURPLUS

for the year ended March 31, 1959

EXHIBIT 1

Balance, as at March 31, 1958		\$4,954,329.83
Add:		
Premium on sale of 48,009 shares par value		
\$.25 per share at \$3.00 per share	\$132,025.13	
Premium on sale of 45,000 shares par value		
\$.25 per share at \$3.29 per share	136,753.05	268,778.18
Balance as at March 31, 1959		<u>\$5,223,108.01</u>

STATEMENT OF DEFICIT

for the year ended March 31, 1959

Balance, March 31, 1958	\$ 902,441.31
Add dividend paid — preferred shares	192,500.00
	<u>\$1,094,941.31</u>
Less profit for the year (Exhibit 2)	318,967.58
Balance, March 31, 1959	<u>\$ 775,973.73</u>

NOTES TO FINANCIAL STATEMENTS

As at March 31, 1959

NOTE 1. *Shares in other companies*

A summary of such shares is as follows:

NAME	CLASS	NO. OF SHARES	COST
North Western Pulp & Power Limited	Common — no par value	100,000	\$1,390,000.00
	Class A — par value		
	\$100.00 per share	50,000	<u>5,000,000.00</u>
			\$6,390,000.00
New Pacific Coal & Oil Limited	Preferred — par value		
	\$100.00 per share	45	813.97
Mid-Western Industrial Gas Ltd.	Common — no par value	100	145.00
TOTAL			<u>\$6,390,958.97</u>

NOTE 2. Advances to and investment in wholly owned subsidiary (Bryan Mountain Coal Company Limited)

An analysis of this account is as follows:

Investment in shares	\$1,259,657.60
Note receivable	350,342.40
Cash advances	61,574.16
TOTAL	<u>\$1,671,574.16</u>

NOTE 3. Deferred liabilities — secured

St. Regis Paper Company (Canada) Ltd.	\$1,400,000.00
Due on pipeline stub acquisition	21,000.00
	<u>\$1,421,000.00</u>
Less amount due within one year	155,000.00
	<u>\$1,266,000.00</u>

NOTE 4. Funded indebtedness

Under the provisions of the "Deeds of Trust and Mortgage" securing the first mortgage bonds and general mortgage bonds the company is committed to the following sinking fund requirements re:

- (i) 4½ % first mortgage sinking fund bonds
On or before April 1, 1960 amounts sufficient to retire \$150,000.00 bond principal.
- (ii) 5% general mortgage sinking fund bonds
On or before June 1, 1960 amounts sufficient to retire \$125,000.00 bond principal.

NOTE 5. Capital

During the year ended March 31, 1959 the company issued the following shares:

(i) 48,009 shares (par value \$.25 per share) in full payment of a note payable in the amount of \$140,000.00 due April 1, 1958 plus accrued interest of \$4,027.38.

(ii) 45,000 shares (par value \$.25 per share) together with 12,500 share purchase warrants (subject to conditions outlined below) as full payment for notes payable in the amount of \$144,000.00 plus accrued interest to October 15, 1958 of \$4,003.05.

As at March 31, 1959, 242,470 common shares par value \$.25 per share were reserved for the exercise of outstanding stock purchase warrants.

Each stock purchase warrant to be exchanged for one share of treasury stock par value \$.25 per share at the following price:

	<u>PRICE PER SHARE</u>
If exercised on or before June 1, 1960	\$5.50
If exercised on or before June 1, 1965 (at which date right to purchase shall terminate)	\$7.50

Commencing June 1, 1960 and each year thereafter the company is required to set aside funds to purchase for cancellation \$100,000.00 par value preferred shares (par value \$50.00 per share) at the market or at current redemption price.

NOTE 6.

Depreciation has been provided at maximum rates as allowed under Canadian Tax Regulations on all depreciable assets with the exception of the pipeline which is being amortized on a minimum throughput basis from the commencement of operations to July 1, 1977, the expiry date of the present contract to supply natural gas to North Western Pulp & Power Ltd.

